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SUBJECT: (C/NF) CANADA,S LIBERAL LEADERSHIP CONTEST: A RACE FOR THE CURE

Classified By: POL M/C BRIAN M. FLORA. REASON 1.5 B and D.

1. (C/NF) SUMMARY. With the official launching in April of the leadership campaigns of Deputy PM John Manley and Liberal backbencher Paul Martin, the three-way contest to succeed PM Jean Chretien -- Canada's race for a political cure -- is officially on. Though the Liberal Leadership convention is slated for November, observers believe that Martin's victory will be sealed in September when the dozen or so delegates from each of 301 Liberal ridings across the country are announced. The trick will be getting Chretien to quit before his announced date of February 2004 -- a daunting task -- in order to minimize the transition chaos. Meanwhile, our meetings with Martin supporters and close advisors indicate a pragmatic leadership-in-waiting already engaged in damage control within the GOC and at work on a blueprint for U.S.-Canada relations. If Martin's May 1 foreign policy speech is any indication, under his leadership we can expect a positive change in Canada's handling of the bilateral agenda. END SUMMARY.

2. (C/NF) A successful businessman and former Finance Minister, Paul Martin leads the three-way race in campaign funds, organization and name recognition. Discussions with a range of Martin supporters, from consultants to Members of Parliament, and Martin staffers, suggest that PM Chretien, likely successor already has a quiet handle on the rudder of the Canadian ship of state. Chretien's reputation as a gritty and tenacious politician notwithstanding, we understand that pro-Martin MPs dominate the Liberal Caucus and are poised to quash controversial "legacy" initiatives -- such as political party finance reform and, it appears, marijuana decriminalization -- that would undermine the new PM's agenda. Whether the Caucus and the Party can persuade Chretien to retire early -- for the sake of Party and Country -- is another question.

3. (C/NF) In his first major foreign policy statement May 1, Martin painted a pragmatic and business-practical vision of "Canada's Role in a Complex World," identifying Canada's relationship with the U.S. as a cornerstone of that role. He pledged a "systematic and coordinated effort to confirm and strengthen the Canada-US partnership," to include a permanent Cabinet Committee on Canada-US Relations chaired by the Prime Minister and a House of Commons Committee on Canada-US relations. In the context of North American security, Martin called for development of a comprehensive national security policy for Canada, the only G-8 country without such a policy. Though the very fact of articulating a "vision" would distinguish Martin from Chretien, the one-time Finance Minister and backbench challenger was also well spoken and thoughtful in his delivery.

4. (C/NF) A key element of the Martin campaign strategy has been to emphasize the differences between Martin and the PM, in both style and content, and to portray a pro-active and pragmatic (as opposed to reactive and ambivalent) philosophy of governance. The contrast could not be greater, or easier, to achieve: While the PM pledges (non-existent) support for a UN intervention in the Congo, Martin offers to share federal gas tax revenues with Canada's beleaguered, cash-hungry cities. Similarly, as Martin and his advisors focus on a blueprint to re-invigorate the US-Canada bilateral relationship (6 months ahead of the convention), Chretien seizes the international venue of the G-8 summit to sharply criticize the economic leadership of President Bush and boast about Canada's economic success. Fortunately, if anecdotal evidence and media comments contain a shred of truth, so far the PM is not winning the PR battle.

5. (C/NF) Veteran observers have speculated that the three-way leadership contest is a fig leaf to avoid the "un-Canadian" and "un-Liberal" appearance of a Martin coronation, and probably involves behind-the-scenes agreements among the PMO, the Liberal Party and the candidates themselves. A retired former Canadian Ambassador-turned-consultant who claims to "know" Chretien says that such political arrangements are not unusual and would be desirable for the sake of image among the Canadian public. Deputy PM John Manley's stake in such an arrangement would be to develop his prospects for a post-Martin Prime Ministership (visibility, experience etc.) whereas Heritage

Minister Sheila Copps' likely reward might be a prestigious "permanent" (to age 75) appointment -- perhaps as Senator -- that would guarantee her income to retirement age and a generous government pension. Proponents of this theory point to the recent and unexpected retirement of a senior Senator -- at Chretien's "request"-- as paving the way for such rewards to loyalists.

16. (C/NF) COMMENT: With a majority of Liberal MPs (including Cabinet Ministers) openly in the Martin camp, as well as Liberal Party President Stephen LeDrew, the logical reality is that PM Chretien no longer controls the House Caucus. This could explain his bizarre anti-American public musings -- the only thing under his control, and with the added benefit of making PR mischief for the growing majority only too eager to push him out the door. In this regard, we should not underestimate Chretien's capacity to manipulate the system if it serves his purpose, including to prorogue the Parliament until after the November election and/or sticking around as PM some three months after Paul Martin is elected Liberal Leader. At the same time, at least there is a light at the end of the tunnel. END COMMENT.
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